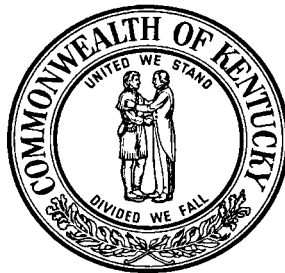


**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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**105 SEA HERO ROAD, SUITE 2
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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

The enclosed report prepared by Kapp & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Marshall County, Kentucky, for the year ended December 31, 2002.

We engaged Kapp & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kapp & Company, PLLC, evaluated the Marshall County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure





Kapp & Company, PLLC

Certified Public Accountants &
Business Advisors

**MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF

**For The Year Ended
December 31, 2002**

Kapp & Company, PLLC, has completed the Marshall County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$17,916 from the prior calendar year, resulting in excess fees of \$44,359 as of December 31, 2002. Revenues increased by \$72,641 from the prior year and disbursements increased by \$54,725.

Report Comment:

- The Sheriff Should Maintain Accurate Accounting Records

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Kapp & Company, PLLC
Certified Public Accountants &
Business Advisors

To the People of Kentucky
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Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Marshall County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Maintain Accurate Accounting Records

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
November 14, 2003

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants:

Byrne Formula Grant	\$ 64,735	
COPS Hiring Supplement	10,503	
COPS Grant	<u>14,289</u>	\$ 89,527

State Grant:

Kentucky Law Enforcement Foundation Program Fund		54,479
--	--	--------

State Fees For Services:

Finance and Administration Cabinet	\$ 57,912	
Cabinet For Human Resources	809	
Security Fees	<u>17,522</u>	76,243

Circuit Court Clerk:

Sheriff Security Service	\$ 8,728	
Fines and Fees Collected	<u>7,647</u>	16,375

Fiscal Court

120,630

County Clerk - Delinquent Taxes

3,122

Commission On Taxes Collected

529,901

Fees Collected For Services:

Auto Inspections	\$ 14,685	
Accident and Police Reports	1,898	
Serving Papers	30,742	
Carrying Concealed Deadly Weapon Permits	7,825	
Transporting Prisoners	<u>151</u>	55,301

Other:

Sheriff Add-on Fees	\$ 4,048	
Sheriff Advertising Costs	5,796	
Reimbursements	64,150	
Impounded Vehicles	685	
Polygraph Tests	445	
School Resource Officer	26,747	
Sheriff Sales	2,489	
Other	<u>8,171</u>	112,531

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Receipts (Continued)

Interest Earned	\$ 6,037
Borrowed Money:	
State Advancement	<u>150,000</u>
Total Receipts	\$ 1,214,146

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-	
Deputies' Salaries	\$ 642,320
Part-Time Salaries	38,023
KLEFPF	58,501
Contracted Services-	
Advertising	12,784
Materials and Supplies-	
Blood Alcohol Tests	179
Office Materials and Supplies	8,711
Officer Supplies	3,540
Radar Expense	240
Radio Expense	1,705
Uniforms	12,490
Auto Expense-	
Gasoline	28,383
Maintenance and Repairs	23,441
Tires	8,115
Mileage	420
Vehicle Insurance	97
Other Charges-	
Cellular Expense	5,867
Training	9,346
Dues	548
Postage	10,885
Bond	2,584
Carrying Concealed Deadly Weapon Permits	5,195

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges- (Continued)

Impounded Vehicles	\$	262	
Jury Meals		513	
Transporting Fugitives		10,769	
Drug Enforcement		4,215	
Fiscal Court Fees		7,212	
Miscellaneous		12,160	
Capital Outlay-			
Office Equipment		14,036	
Officer Equipment		9,676	
Vehicles		<u>20,134</u>	\$ 952,351
Debt Service:			
State Advancement			<u>150,000</u>
Total Disbursements			<u>\$ 1,102,351</u>
Net Receipts			\$ 111,795
Less:			
Statutory Maximum	\$	66,706	
Training Incentive Benefit		<u>730</u>	<u>67,436</u>
Excess Fees			\$ 44,359
Payment to County Treasurer - May 21, 2003			<u>44,359</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

The Sheriff maintains a drug fund. This fund is used primarily for drug enforcement and prevention. The drug fund balance as of January 1, 2002 was \$1,855. Receipts consisting of drug forfeitures and interest were \$7,494 for calendar year 2002. Disbursements for drug enforcement and prevention were \$5,506 for calendar year 2002. The drug fund balance as of December 31, 2002 was \$3,843.

Note 5. Drug Awareness Resistance Education Fund

The Marshall County Sheriff's Office maintains a Drug Awareness Resistance Education (D.A.R.E.) fund for the promotion of drug awareness and drug prevention. The D.A.R.E. fund had a balance of \$5,065 as of January 1, 2002. Receipts for calendar year 2002 consisting of interest and donations were \$2,190. Disbursements for D.A.R.E. supplies were \$2,723. The balance as of D.A.R.E. fund as of December 31, 2002 was \$4,532.

Note 6. Federal Grants

A. Byrne Formula Grant

The Marshall County Sheriff's office was awarded a Byrne Formula Grant for the Tri-County Drug Task Force in October 2000 in the amount of \$219,875. During the year ended December 31, 2002, grant funds in the amount of \$64,735 were received.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 6. Federal Grants (Continued)

B. Community Oriented Policing Services Universal Hiring Supplement Grant

The Marshall County Sheriff's office was awarded a Community Oriented Policing Services Universal Hiring Supplement grant in March 1998 in the amount of \$75,000. During the year ended December 31, 2002, grant funds in the amount of \$10,503 were received.

C. Community Oriented Policing Services Grant

The Marshall County Sheriff's office was awarded a Community Oriented Policing Service grant in April 1999 in the amount of \$37,384. During the year ended December 31, 2002, grant funds in the amount of \$14,289 were received.

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Marshall County Sheriff's Office participates in the Kentucky Law Enforcement Foundation Training Incentive Program. This program, administered by the Kentucky Justice Cabinet, is designed to adequately train the Sheriff and his officers. During the year, grant funds of \$54,479 were received.

COMMENT AND RECOMMENDATION

MARSHALL COUNTY
TERRY ANDERSON, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2002

STATE LAWS AND REGULATIONS:

The Sheriff Should Maintain Accurate Financial Records

During our audit, we noted that the fourth quarter financial statement and the recap of receipts and disbursements prepared by the Sheriff's Office did not agree to the total receipts and disbursements per the bank. Several discrepancies existed in the receivable and payable amounts reported in those records. KRS 68.210 requires a complete and accurate report of all financial activities.

County Sheriff's Response:

I understand and have hired a new bookkeeper.

PRIOR YEAR:

The Sheriff did not correct the comment below and it is repeated again.

- The Sheriff Should Maintain Accurate Financial Records

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Kapp & Company, PLLC
Certified Public Accountants &
Business Advisors

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
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Honorable Terry Anderson, Marshall County Sheriff
Members of the Marshall County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Marshall County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated November 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Maintain Accurate Financial Records

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
November 14, 2003

